COMPARISON OF REVENUE PROVISIONS OF H.R. 2

(Highway Revenue Act of 1987)

AS PASSED BY THE HOUSE AND THE SENATE

Prepared for the Conferees

By the Staff

of the

JOINT COMMITTEE ON TAXATION

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INTRODUCTION

This document,[1] prepared by the staff of the Joint Committee on Taxation, provides a comparative description of the revenue provisions of H.R. 2 as passed by the House of Representatives and the Senate.

Part A describes the provisions relating to the extension of the highway excise taxes and related provisions. Part B describes the provisions relating to the Highway Trust Fund.

The revenue provisions of H.R. 2 were included as Title V of the bill as passed by the House on January 21, 1987. Title V (Highway Revenue Act of 1987) was approved by the Committee on Ways and Means on January 6, 1987. The explanation of the Ways and Means Committee amendment was printed on January 8, 1987.[2]

The Committee on Finance approved a committee amendment (Highway Revenue Act of 1987) as a revenue title to S. 387 on January 22, 1987. The committee amendment was included in S. 387 by the Senate on February 3, 1987,[3] and incorporated as Title II in the Senate version of H.R. 2, as amended and passed on February 4, 1987.

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[1] This document may be cited as follows: Joint Committee on Taxation, Comparison of Revenue Provisions of H.R. 2 (Highway Revenue Act of 1987) (JCX-4-87), March 16, 1987.

[2] See Ways and Means Committee Print (WMCP: 100-2, January 8, 1987).

[3] See February 3, 1987, Congressional Record, S 1539-1542; and S. Print 100-8, February 3, 1987.

HIGHWAY REVENUE PROVISIONS OF H.R. 2

Item	Present Law	House Bill	Senate Amendment
A. Highway Excise Taxes			
1. Extension of taxes and exemptions			
a. Extension of taxes	a. Excise taxes are imposed on gasoline and special motor fuels (9 cents per gallon), diesel fuel (15 cents per gallon), trucks and truck trailers (12 percent of retail price), heavy tires, and heavy vehicles. These highway excise taxes are scheduled to expire after September 30, 1988. (Revenues from these highway excise taxes are transferred to the Highway Trust Fund, as indicated in B., below.)	a. Extends current highway excise taxes for 5 years, through September 30, 1993.	a. Extends current highway excise taxes for 4 years, through September 30, 1992.
b. Extension of exemptions	b. Exemptions are provided from the highway excise taxes for articles used by State and local governments, tax-exempt educational organizations, and for certain other uses, including a 6-cents-per-gallon exemption from the highway fuels taxes for gasohol (fuels with a mixture of at least 10-percent alcohol). Exemptions other than for gasohol are scheduled to expire after September 30, 1988 (when the taxes expire); the gasohol exemption expires after December 31, 1992.	b. The present-law exemptions from the highway excise taxes generally are extended for 5 years, through September 30, 1993. The gasohol exemption expiration date is conformed to that for the other exemptions.	b. The present-law exemptions generally are extended for 4 years, through September 30, 1992. The present-law expiration of the gasohol tax exemption (December 31, 1992) is retained.

HIGHWAY REVENUE PROVISIONS OF H.R. 2-- Cont.

Item	Present Law	House Bill	Senate Amendment
2. Application of retail truck excise tax to leased trucks and trailers	The 12-percent retail excise tax applies to trucks with gross vehicle weight (GVW) over 33,000 pounds and to truck trailers over 26,000 pounds. GVW generally is the maximum loaded weight at which the taxable vehicle is capable of operating. The excise tax on trucks and trailers was changed from a manufacturers tax to a retail tax (12 percent) on April 1, 1983. In April 1983, Treasury adopted temporary regulations providing, in the case of certain long-term leases, that the tax was to be imposed at the time the initial lease was entered into (i.e., the lease was to be treated as the first retail sale). In September 1985, Treasury amended its regulations to provide that, in the case of leased vehicles, the tax would be imposed on the sale by the manufacturer to the lessor.	Heavy vehicles sold to lessors to be leased for a period of one year or more generally are treated as though sold to retail dealers, with tax being imposed when the initial lease is entered into. In the case of long-term leases, the tax is determined under constructive sales price rules. If tax is imposed on the sale to the lessor, and the vehicle is later leased (pursuant to a long-term lease) or sold within one year of the sale to the lessor, a "backup" tax is imposed at the regular 12-percent rate. Effective date.--Date of enactment.	No provision.

HIGHWAY REVENUE PROVISIONS OF H.R. 2-- Cont.

Item	Present Law	House Bill	Senate Amendment
3. Determination of gross vehicle weight of certain trucks and trailers	IRS has ruled that additions by retail dealers of readily attachable parts (such as tires and axles) that reduce GVW below the taxable weight threshold are ignored in determining tax liability for such vehicles sold after September 30, 1986 (Rev. Rul. 85-196 and Rev. Rul. 86-43).	Rev. Rul. 85-196 and 86-43 are not to apply in determining GVW for first retail sales of trucks and trailers acquired in inventory by a retail dealer before January 1, 1986, continuously held in such dealer's inventory through September 30, 1986, and sold by such dealer after September 30, 1986. Effective date.--Date of enactment.	No provision.

HIGHWAY REVENUE PROVISIONS OF H.R. 2-- Cont.

Item	Present Law	House Bill	Senate Amendment
4. Application of heavy vehicle use tax to foreign truck operators	An annual use tax applies to highway motor vehicles having a gross vehicle weight (GVW) of more than 55,000 pounds, and using the public roads for 5,000 miles or more during a taxable period (July 1-June 30). The maximum annual tax is $550 per vehicle. Liability for tax is on the person required to register trucks under State law. As a result of agreements between certain U.S. States and Canadian provinces, most Canadian trucks are not required to register under the laws of U.S. States. Mexican trucks may enter the U.S. only into certain prescribed trade zones, as Mexico does not permit U.S. trucks to operate in that country. Thus, operators of these trucks are not liable for the use tax. Treasury Regulations (beginning July 1, 1985) have exempted other Canadian trucks from the use tax. The Tax Reform Act of 1984 requires a Department of Transportation study, in consultation with the Treasury Department, to determine the impact of the use tax on trans-border trucking operations. The report is due by October 1, 1987.	No provision.	Trucks with base registration in Canada or Mexico are to be subject to the heavy vehicle use tax in the same manner as domestically based trucks, whether or not the foreign trucks are required to be registered in a U.S. State. If proof of payment of the use tax is not made, such trucks may be denied entry into the U.S. Effective date.--July 1, 1987.

HIGHWAY REVENUE PROVISIONS OF H.R. 2-- Cont.

Item	Present Law	House Bill	Senate Amendment
B. Highway Trust Fund			
1. Transfer of highway excise tax revenues to the Trust Fund	Revenues equivalent to the current highway excise taxes (see A.1.a., above) are transferred (appropriated) to the Highway Trust Fund for tax liabilities incurred through September 30, 1988. (Amounts attributable to pre-October 1, 1988 highway excise tax liabilities are to be transferred to the Trust Fund through June 30, 1989.)	Extends the transfer of highway excise tax revenues to the Highway Trust Fund for 5 years, i.e., for tax liabilities incurred through September 30, 1993, and received through June 30, 1994.	Extends the transfer of highway excise tax revenues to the Highway Trust Fund for 4 years, i.e., for tax liabilities incurred through September 30, 1992, and received through June 30, 1993.
2. Expenditures from Trust Fund			
a. Extension of expenditure authority	a. Amounts in the Highway Trust Fund are available, as provided by appropriation Acts, for making expenditures through September 30, 1988, authorized by law for Federal-aid highway programs and certain mass transit programs.	a. Extends the Highway Trust Fund expenditure authority for 5 years (through September 30, 1993).	a. Extends the Highway Trust Fund expenditure authority for 4 years (through September 30, 1992).

HIGHWAY REVENUE PROVISIONS OF H.R. 2-- Cont.

Item	Present Law	House Bill	Senate Amendment
2. Expenditures from Trust Fund (cont.)			
b. Authorized expenditures	b. Expenditures are authorized from the Highway Trust Fund for (1) the Federal-aid highway programs (from the Highway Account) under the Surface Transportation Assistance Act of 1982 or as previously authorized from the Highway Trust Fund, and (2) capital expenditures (from the Mass Transit Account) in accordance with sec. 21(a)(2) of the Urban Mass Transportation Act of 1964. Amounts previously authorized for billboard removal and university transportation research centers have been from general funds.	b. Authorizes expenditures from the Highway Trust Fund to include the expenditure purposes under the 1987 Act as passed by the House, which includes billboard removal costs ($5 million per year from the Highway Account) and university transportation research centers ($5 million per year from the Highway Account and $5 million per year from the Mass Transit Account).	b. Updates the Highway Trust Fund expenditure purposes to include the 1987 Act under the Senate amendment (which does not include billboard removal or transportation research centers).